Audit Workshop

JANUARY 28, 2020

FACILITATED BY:

MARTHA GOODWILL
ANNE VICKERS
Agenda

Introductions

Why Audit?

Audit Committee

The Audit:
  ◦ Pre-audit Planning
  ◦ Audit Procedures
  ◦ Sampling
  ◦ Work Papers
  ◦ Conclusion

Documents to be submitted (Sept. 1st)
Why Audit?

An audit will help the church to fulfill its stewardship responsibility by helping to assure that resources have been used in the proper fashion.

How?

- By offering fresh eyes.
- By ensuring that safeguards are in place.
- By assuring proper use.
Audit Committee

Who should be on the audit committee?

Individuals who are not now, and have not been, involved in the accounting or record keeping for the church during the year under audit.

How many people should be on the audit committee?

2 – 3 individuals

Should the individuals be CPA’s or accountants?

Generally, a person who is “qualified” to perform an internal audit will have some experience with accounting principles, such as those gained through bookkeeping, office management, or accounting courses.
The Audit

Steps in the audit:

Pre-audit planning

Audit procedures and sampling

Work papers

Conclusion
Audit Documentation List:

- Vestry Minutes
- Chart of Accounts
- Accounting Policy & Procedures Manual
- Year-end Financials (including Profit & Loss, Balance Sheet, Summary of Restricted Accounts and Parochial Report)
- General Ledger
- Cash Receipts Journals
- Cash Disbursements Journal
- Bank Statements & Reconciliations, including cancelled checks
- Blank Checks
- Paid Invoices
- Payroll Records, including Federal & State reports
- Passbooks and Evidence of Other Investments
- Pledge Records, by individual and in total
These procedures were created by the Diocese of Southwest Florida in order to assist congregations in performing a successful audit by committee.
The Audit: Sampling

Sampling involves testing less than 100 percent of a population and then utilizing the results to draw a conclusion about the entire population.

This process saves the time, effort and expense that may be involved in comprehensive testing.

For these audit procedures, you are asked to examine or test on a "Sample Basis."

The definition of "Sample Basis" is: the lesser of 10% of all transactions or 25 transactions, whichever is smaller.
The Audit: Work papers

• What you did – Audit Procedures

• What you found – Exhibit B, Audit Committee findings

• What you concluded – Exhibit A – fair presentation of financial position
Discretionary Funds

Three guiding principles
- Caution! Handle with care.
- Confidential ≠ Secret
- Sunshine kills germs.

Discretionary funds are parish funds, not personal funds.

Do not open a separate account. Use the main parish operating account, and get reimbursements and payments as needed. If you have a separate account now, consider closing it.

If there is a separate account, IT MUST BE OPENED USING THE TAX ID# OF THE PARISH AND IN THE PARISH’S NAME.

Because it is a parish fund, IT MUST BE AUDITED.

Because it is a parish fund, THERE MUST BE A REPORT ON IT AT LEAST ANNUALLY. Include a summary report on it to the Annual Meeting. You’ll encourage donations by being transparent and accountable.

It cannot be used for personal items (e.g., car repairs) and should not be used for parish operating expenses.

The legitimate uses are: 1) assistance to persons in need, and 2) contributions to charitable organizations that would be deductible on Schedule A.

If you want honoraria to go to the discretionary fund without being taxable income to you, have the Vestry make it a condition of employment.

See the sample report to the Annual Meeting.

---

Sample report on the Discretionary Fund

Income
- From parish budget $ 750.00
- Contributions from 17 individuals 1,643.00
- Honoraria 975.00

Total Income $ 3,368.00

Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assistance</td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td>$ 1,450.00</td>
</tr>
<tr>
<td>Food</td>
<td>683.38</td>
</tr>
<tr>
<td>Prescriptions</td>
<td>124.78</td>
</tr>
<tr>
<td>Cash assistance</td>
<td>210.00</td>
</tr>
</tbody>
</table>

Charitable contributions 700.00

Total Expenses $ 3,168.16

Excess(deficit) revenue over expenses $ 199.84

Balance as of January 1 $ 57.73

Balance as of December 31 $ 257.57

Gerald W. Keucher, 7 October 2009
Life Cycle of an Audit

- Yearly Audit
  - Find mistakes or issues
  - Talk
  - Recommend better procedures
  - Make corrections

- Year-long financial tasks
  - Review last audit
  - Find mistakes or issues
  - Talk
  - Recommend better procedures
  - Make corrections

- Next Yearly Audit

- Continual Improvement
The Audit: Conclusion

By using the audit procedures and your work papers, conclusions can be drawn.

• Is the church fulfilling its stewardship responsibility?
• Have resources been used in the proper fashion?
• Are safeguards in place?

Audit conclusions are presented to the Vestry/Bishop’s Committee for their review. The audits are not approved by them, rather their review ensures that any audit findings are discussed, understood and evaluated.
September 1st

Documents to be submitted to the Diocese:

• Audit Certificate
  (Exhibit A in Audit Procedures)

• Audit Committee Findings on Policies & Procedures
  (Exhibit B in Audit Procedures)

• Completed Audit Procedures

• Financial Statements
  (Balance Sheet, Profit & Loss Statement, Summary of Restricted Accounts)

• Any updated policies, leases, etc as referenced in the Audit Procedures
Review
Procedures for Audit Committee

Diocese of Southwest Florida
Procedures for Audit Committee
Revised for the 2014 audit year

Congregation, City

Audit Committee Members

Due Date: September 1, 2015

These procedures were created by the Diocese of Southwest Florida in order to assist congregations in performing a successful audit by committee. This document is available in MS Word format so that you can complete electronically or print as desired spacing. Note that in addition to this workbook, the inclusion of the financial statements and letters modulated in Exhibit A and B are essential to the audit documentation.

If you have any questions regarding these audit procedures, please do not hesitate to contact our Parish Administration Resource, Martha Goodwill at Diocese House:

(941) 556-0315 or mgoodwill@diocesefl.org

CANON XIV Section 2. Audits.
a. The financial records of every Congregation and every Related Organization shall be audited annually by a certified public accountant or an audit committee appointed by the Congregation’s congregational council for the purpose of determining whether the accounts fairly reflect the performance of the duties and obligations of the entity audited. If a Congregation or Related Organization uses an approved audit committee, the committee shall be formed in accordance with guidelines established and approved by Diocesan Council. Every auditor or approved audit committee performing their duties pursuant to the Canon shall prepare an audit report that shall be made in accordance with the normal and guidelines established by the Diocesan Finance Committee and approved by Diocesan Council.
b. Every auditor or approved audit committee performing their duties pursuant to the Canon shall prepare an annual audit report with the Bishop not later than thirty (30) days following the date of the report. It shall be no event later than September 1 of each year. The report filed with the Bishop shall include any memoranda issued by the auditor or approved audit committee regarding internal control, allocation and accounting for revenue and expenses or other accounting matters, together with an assurance of auditor (or) approved auditor’s belief that it is necessary to correct deficiencies or implement recommended modifications contained in such memoranda.